



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 12/3/1999

GAIN Report #NZ9073

New Zealand

Retail Food Sector Report

1999

Prepared by:

David Young
U.S. Embassy

Drafted by:

Rachel Monk

Report Highlights:

New Zealand's retail food sector is a U.S. \$4.7 billion business. Of the three sub-sectors of the New Zealand retail food sector, the supermarket sub-sector is by far the largest, making up 86 percent of total food retail sales. The New Zealand supermarket sector is made up of three main players with their chain stores, which provide opportunities for U.S. sales through local importers or distributors, or directly with supermarkets.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Wellington [NZ1], NZ

TABLE OF CONTENTS

SECTION I. MARKET SUMMARY	Page 2 of 10
SECTION II. ROAD MAP FOR MARKET ENTRY	Page 3 of 10
A. SUPERMARKETS	Page 3 of 10
Overview	Page 3 of 10
Entry Strategy	Page 3 of 10
Distribution Channels	Page 4 of 10
Figure 1. Market Structure	Page 4 of 10
Company Profiles	Page 4 of 10
B. CONVENIENCE STORES/GAS STATIONS	Page 5 of 10
Overview	Page 5 of 10
Entry Strategy	Page 5 of 10
Company Profiles	Page 5 of 10
C. TRADITIONAL MARKETS, SMALL INDEPENDENT GROCERY STORES	Page 6 of 10
SECTION III. COMPETITION	Page 7 of 10
Figure 2. 1998 Market Share for Consumer Oriented Food Imports	Page 7 of 10
Figure 3. 1998 Market Share for Fish and Seafood Imports	Page 8 of 10
SECTION IV. BEST PRODUCT PROSPECTS	Page 8 of 10
A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL	Page 8 of 10
B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL	Page 8 of 10
C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS	Page 8 of 10
SECTION V. POST CONTACT AND FURTHER INFORMATION	Page 9 of 10

SECTION I. MARKET SUMMARY

- i New Zealand's retail food sector is a NZ\$9 billion business (US \$4.7 billion). The three sub-sectors that make up the total sector are supermarkets, petrol (gasoline) stations/ convenience stores and privately-owned small stores called dairies.
- i Of the three sub-sectors of the New Zealand retail food sector, the supermarket sub-sector is by far the largest, making up 86 percent of total food retail sales for the year to March 1999. Total grocery sales for this period were NZ\$7.7 billion (US \$4 billion), up from \$7.3 billion (US \$3.8 billion) in the previous year. This growth rate of 5 percent is well above last year's 3.3 percent rise.
- i In 1998, about one fifth of all goods (including some bulk and intermediate products which were further processed) sold in the New Zealand food retail sector were imported. These imports totaled approximately US\$1 billion, slightly below the value of goods imported in 1996. Of the retail food products imported into New Zealand, 46 percent is supplied from Australia and 14 percent from the United States.
- i New Zealand imported US\$666 million in consumer-oriented agricultural products in 1998, of which the U.S. had a 14-percent market share.
- i Supermarkets, i.e., stores with annual sales of \$2 million or more, make up 86 percent of the retail market and number 542 stores.
- i Convenience stores, i.e. petrol stations branded retail stores, number up to 284 stores.
- i Local dairies or traditional neighbourhood stores number around 2,274 stores.
- i The supermarket chains in New Zealand are rapidly realising the potential of the ready-to-eat/ready-to-cook food market, with sales in ready-made frozen meals growing at around 16 percent each year. Supermarkets are stocking a lot more takeaway food products, and the Woolworths chain of supermarkets has placed a restaurant or "Bistro" in several of their stores.
- i Internet sales are only just emerging in the New Zealand food retail scene. The Woolworths chain of supermarkets (owned by a Hong Kong food conglomerate) is the only supermarket currently to be selling via the internet, however, Foodstuffs Limited, the most dominant chain in the New Zealand market, is also embarking on e-commerce sales.

ADVANTAGES	CHALLENGES
Familiar business environment, including language, communications, and customs	The Closer Economic Relations Agreement with Australia eliminates tariffs on Australian products while U.S. exports pay 0-7 percent tariffs
Minimum barriers to trade, including low tariffs	Canadian exports usually pay no tariffs
U.S. products hold an image of high quality	The weak New Zealand vs U.S. dollar increases import costs for U.S. products
U.S. counter-seasonal production of fruits fills a growing niche	Large food multinationals, including U.S. firms, located in Australia supply many well-known brands of food products.

Economic outlook (income and employment) for the next two years is positive	Strict phytosanitary/sanitary regulations limit imports of some products
---	--

SECTION II. ROAD MAP FOR MARKET ENTRY

A. SUPERMARKETS

Overview

The New Zealand supermarket sector is made up of three main players with their chain stores:

- i Foodstuffs Ltd: 100% New Zealand, but independently owned, with a 51% market share. Operates New World, Write Price, Pak'n'Save and Four Square chains.
- i Progressive: 100% Australian owned with a 26% market share. Operates Foodtown, Countdown, Fresh Choice and Supervalu.
- i Dairy Farm International Holdings (Hong Kong based), with a 16% market share. Operates Big Fresh, Price Chopper and Woolworth chains.

Entry Strategy

There are several approaches that New Zealand food retailers use to import products into the country:

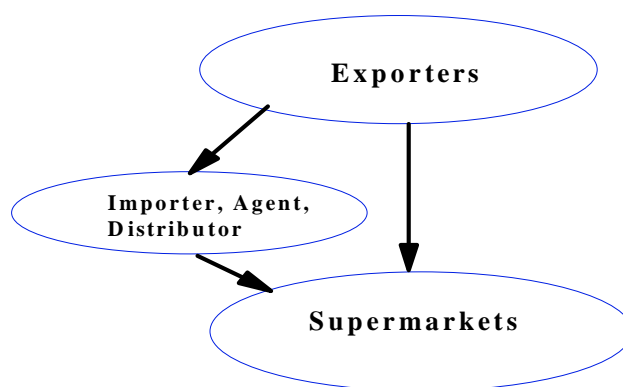
- i Purchasing directly from known overseas exporters;
- i Purchasing from new suppliers met at international food shows;
- i Buying from local New Zealand importers/distributors who may repackage into retail sizes or sell in bulk;
- i Purchasing from trade leads or seller contacts (i.e., buyer alert) made through Embassy services.

The best entry strategy for a new-to-market exporter is:

- i Identify a local importer or distributor who can obtain shelf space and promote the product;
- i Exhibit at international food shows, such as FMI Show/U.S. Food Export Showcase and the International Fancy Foods and Confection Show (both held in the U.S.), among others.

Distribution Channels

Figure 1. Market Structure



New Zealand's relatively simple supermarket chains New Zealand which products to the distribution centres the supermarkets either:

supermarket distribution channels are The owners of the individual have distribution centres throughout distribute to each store. To get the

- i Import directly from a foreign food exporter;
- i Go through an import agent or distributor, who generally distributes to all food retail outlets;
- i Supermarkets will also purchase directly from New Zealand food manufacturing companies;

Company Profiles

Retailer Name and Outlet Type	Ownership	Sales (US\$Mil)	No. of outlets	Purchasing Agent Type
Foodstuffs Limited -distributor to Pak'n'Save, New World, Write Price and 4 Square supermarkets	New Zealand owned	2,040	344	Direct, Agent, Importer
Progressive - distributor to Foodtown, Countdown, Fresh Choice and Supervalu supermarkets	Australian owned	1,040	127	Direct, Agent, Importer
Dairy Farm International Holdings - distributor to Woolworths, BigFresh, and Price Chopper supermarkets	Hong Kong owned	640	71	Direct, Agent, Importer

Retail food sales are being affected by New Zealanders' changing lifestyles. Emerging trends include:

- i The aging population will mean a shift towards a health conscious consumer with a desire for fresh foods, diversity of products and a sophistication of choice.
- i The multi-cultural population will mean an increase in consumption of ethnic foods at home. Supermarkets are responding to this with increased shelf space and range of ethnic products with fresh, frozen and ready-to-eat meals.
- i There is a redefinition of roles and the breakdown of the traditional family unit. Only 30 percent of New Zealand households are currently defined as couples with children, 20 percent of households

consist of one adult, and one parent families are on the increase. These are actively mobile people, some with higher discretionary incomes, who demand solutions to fit their lives. The deli has now become an integral part of the supermarket, as well as frozen dinners, packaged and prepared meals. Portion size is an issue with a need for small, medium and large variants being demanded.

- i The trend towards meat-free meals is growing, with one in two New Zealand consumers eating at least one-meat free meal per week.

Domestic industry change will also mean change for the supermarket sector:

- i Some food processing companies are moving offshore due to lack of investment in New Zealand. This has led to an increasing reliance on food imports in the last several years, especially products such as dry or packaged goods. Australia remains the major foreign supplier to the New Zealand food industry. Leaders in the industry believe that for New Zealand to become more competitive in food processing, government policies need to be in place to promote greater investment in New Zealand.

B. CONVENIENCE STORES/GAS STATIONS

Overview

Petrol (gasoline) stations in New Zealand are the main stakeholder in the convenience store market. These are generally the large petrol stations, open 24 hours a day, seven days a week. They sell fastfood, snack food and a limited number of grocery items. There are five main players in the petrol station/convenience store market, and the competition is extremely fierce. The last two years in New Zealand has seen the larger petrol stations turn the food retail section into a branded retail store; these stores are positioned at the petrol outlet and can be immediately identified with the petrol company. One of the petrol stations has recently entered into a joint venture with the New Zealand Burger King operation, and nine of its petrol station outlets have Burger King fastfood stores attached. Another of the Petrol stations has recently has one of the chain supermarket stores, Woolworths, built adjoining, so while customers stop to get petrol, they can also have access to a full grocery line.

Petrol Stations in New Zealand sell a very limited quantity of imported food products. In general they do not import directly, but purchase from local wholesalers/distributors.

Entry Strategy

- i Appoint a local agent/distributor in New Zealand to ensure that your products can be introduced in the market.

Company Profiles

The company profiles below include the five competing petrol companies in New Zealand. Each of these stations (except for Challenge) has formed a brand for their retail outlets, (mentioned in brackets). The number of outlets of each of the petrol stations refers to the number of branded retail stores, not the number of petrol outlets.

Retailer Name	Ownership	No. of outlets	Purchasing type
---------------	-----------	----------------	-----------------

Mobil (on the run)	New Zealand	53	Wholesalers/Manufacturers/Agents
Shell (Select)	New Zealand & Australia	87	Wholesalers/Manufacturers/Agents
BP (Express)	British	54	Wholesalers/Manufacturers/Agents
Caltex (Star Mart)	U.S.	66	Wholesalers/Manufacturers/Agents
Challenge!	New Zealand	24	Wholesalers/Manufacturers/Agents

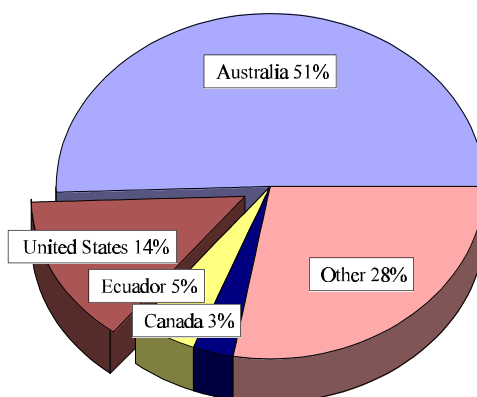
C. TRADITIONAL MARKETS, SMALL INDEPENDENT GROCERY STORES

These stores offer extremely limited opportunity for sales of imported food products from the United States. We do not recommend a marketing strategy aimed at these outlets.

SECTION III. COMPETITION

Figure 2. 1998 Market Share for Consumer Oriented Food Imports

Competition for NZ's Consumer Oriented Food Products

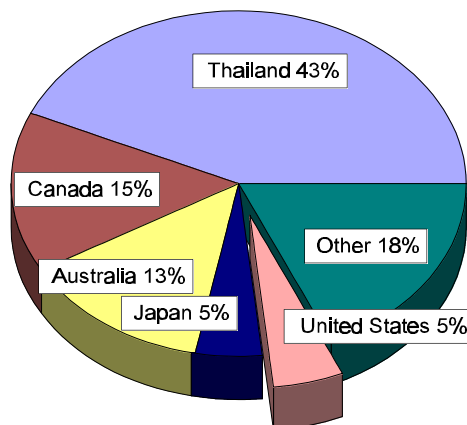


Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

Australia is the major competitor to U.S. consumer oriented food imports. As seen above in 1998, just over 50 percent of New Zealand's food imports were sourced from Australia. This is due to the Closer Economic Relations Agreement between Australia and New Zealand, which eliminates tariffs on Australian products, while U.S. exports pay between 0 - 7 percent tariffs. Many large food multinationals, including U.S. firms, are located in Australia and supply many well known brands of food products. After Australia, there is no other significant competition to U.S. exports in consumer oriented products, as the U.S. holds the next largest market share, although Canada provides competition in some areas as it pays generally no tariffs.

Figure 3. 1998 Market Share for Fish and Seafood Imports

Competition for NZ's Imported Fish & Seafood Products



Source: FAS'

Global Agricultural Trade System using data from the United Nations Statistical Office.

The U.S. is New Zealand's fifth largest supplier of fish and seafood products with a 5 percent market share. The U.S market share is largely composed of canned salmon sales. This product makes up 80 percent of U.S exports of fish and seafood products. Thailand with 43 percent market share is the largest supplier, however their main products are frozen shrimps and canned tuna. Canada, the third largest supplier, is the only direct competition with the U.S market as 76 percent of their market share is also composed of canned salmon sales. Japan supplies mostly shell-fish, and Australia, mostly crustaceans.

SECTION IV. BEST PRODUCT PROSPECTS

A. PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL

- i Fresh fruits, especially grapes, stone fruits (nectarines, peaches and plums), oranges, and pears during New Zealand's off-season;
- i Snack foods, including nuts (almonds, pistachios, walnuts) and dried fruits (raisins, mixed fruit, dates, figs);
- i Canned salmon
- i Pet food, especially high quality or high nutrition.

B. PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

- i Health foods, such as high energy bars and drinks;
- i Niche market food preparations, especially new products or those offering special nutrition or other benefits or conveniences
- i Ethnic foods
- i Wine: high end product could grow with promotion

C. PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

- i Uncooked poultry parts: disease and salmonella concerns currently block exports but further work on an import risk assessment is in progress

SECTION V. POST CONTACT AND FURTHER INFORMATION

United States Embassy/Wellington

Foreign Agricultural Service

Mail: Office of Agricultural Affairs, PSC 467, Box 1, FPO AP, 96531-1001

Phone: (64) (4) 472-2068, ext 293

Fax: (64) (4) 473-0772

e-mail: agwellington@fas.usda.gov

Internet homepage: <http://www.usia.gov/posts/wellington>

FAS Internet homepage: <http://www.fas.usda.gov>

List of Useful Government Agencies and Trade Associations

Australia New Zealand Food Authority (ANZFA)

Internet Homepage: <http://www.health.gov.au/anzfa>

Ministry of Agriculture and Fisheries (MAF)

Internet Homepage: <http://www.maf.govt.nz>

Ministry of Health

Internet Homepage: <http://www.moh.govt.nz>

Ministry of Foreign Affairs and Trade

Internet Homepage: <http://www.mfat.govt.nz>

New Zealand Grocery Marketers' Association

Enterprise House P.O. Box 11-543

Wellington

New Zealand

Phone: (64) (4) 473-3000

Fax: (64) (4) 473-3004

Restaurant Association of New Zealand

P.O. Box 47 244

Ponsonby
Auckland
New Zealand
Phone: (64) (9) 378-8403
Fax: (64) (9) 378-8585
Fax: (64) (9) 378-8585